SVENSON HAIR CENTER SDN BHD A

v.

IRENE CHIN ZEE LING

HIGH COURT MALAYA, KUALA LUMPUR B
VINCENT NG J
[SUIT NO: D1-22-284-2006]
31 JANUARY 2008

CIVIL PROCEDURE: *Injunction - Application for - Restraining defendant from contacting or corresponding with plaintiff's present customers - Whether customers' names, lists and details confidential in nature - Whether wrongful utilization of such particulars warrants injunctive protection - Duty of good faith - Whether breached - Whether defendant's livelihood affected by injunction - Whether balance of convenience lay in favour of injunction being granted - American Cyanamid test - Whether fulfilled* C D

CONTRACT: *Breach - Duty of good faith - Whether employee can be restrained from using confidential information obtained during employment regarding company's customers' names, list and details - Whether wrongful utilization of such particulars warrants injunctive protection - Whether there was breach of duty of good faith* E

CONTRACT: *Restraint of trade - Confidential information - Injunction to restrain employee from using confidential information regarding company's customers' names, lists and details - Application for - Whether allowed* F

The plaintiff herein sought for an injunction to restrain the defendant from contacting or corresponding with all or any of the present customers of the plaintiffs (whose names are set out in the annexure A hereto) until judgment in this action or further order of the honourable court. The defendant had been employed by the plaintiff, whose business was in providing skin and beauty care, products and services. The plaintiff had resigned from her last held position of Centre Manager of the Petaling Jaya branch in June 2005. Throughout her employment with the plaintiff, the defendant had executed a total of three employment agreements which contained express and specific prohibitions and strictures regarding confidentiality, non-solicitation and non-competition. One of the plaintiff's present employees, one Penny Chen, confirmed that in or about the end of June/early July 2005, she saw the G H I

defendant, together with her male friend, taking possession of several boxes containing the plaintiff's customer treatment cards. In reply to the plaintiff's averment (which detailed 27 names) that the customers/clients had been and were still being contacted by the defendant, the latter admitted that she did in fact contact several of the plaintiff's clients but not all of the clients named. The defendant submitted that she had only contacted them to advise them that she was no longer working for the plaintiff. However, one of the plaintiff's present customers, one Chai Yuen Min, had testified that she was contacted by the defendant who had informed her that another beauty wellness center, Marique Wellness, had been opened and had asked her to go over there. It was also the plaintiff's claim that the defendant had enticed its previous staff, one Susan Ng and Polly Chin, to join her at the competing business as well as wrongfully procured the plaintiff's customers, one Agnes Lee and Kristine Yap, to discontinue their treatment contracts with the plaintiff. According to the plaintiff, the evidence abovementioned were sufficient to show, *inter alia*, that the defendant did contact the plaintiff's customers/clients after her cessation of employment, to ask them to go over to the competing business and that it would appear, prima facie, that the defendant may have taken and utilised the plaintiff's confidential information against its interest. The defendant, however, contended that there were no *bona fide* serious issues to be tried to warrant the grant of an injunction as (i) the plaintiff's alleged confidential information, which comprised of the customer list, customer preferences and business know how, could not be considered to be confidential treatment (ii) the defendant claimed it had not taken copies of the plaintiff's customer treatment cards, or divulged or exploited the same; (iii) the contractual prohibition was void for illegality and (iv) the plaintiff had failed to prove the alleged common plan or design to compete with the plaintiff. The defendant also argued that the balance of convenience was in favour of the defendant as her livelihood would be seriously affected.

Held:

(1) The confidentiality of the said confidential information (which includes customer lists and details) could not be seriously disputed as this had been expressly mentioned in cl. 7.01(ii) of the employment agreement. Particulars such as customer's

names, lists and details have been judicially recognized as being confidential in nature, and wrongful utilization of such particulars warrants injunctive protection. (para 10)

(2) The plaintiff's customer's names, list and details could not become part of the defendant's 'own skill, knowledge and business experience' as the defendant had submitted. The plaintiff had, *prima facie*, shown in Penny's affidavit that the defendant had taken possession of the plaintiff's customer treatment cards during the period of her termination notice. It raised the serious issue of whether the defendant had, by such conduct, breached her duty of good faith owed to the plaintiff. (para 11)

(3) Notwithstanding the provision provided by s. 28 Contracts Act 1950, what was not permissible was for competition to be pursued by wrongfully utilizing the confidential information, *eg*, list of customers belonging to the ex-employer; and the courts have been vigilant to protect the employer's interest in this regard. (para 12)

(4) The law imposes an obligation on the employee not to use or disclose trade secrets or to do what he has covenanted not to do – as in the instant case. Clearly, acts such as memorizing a formula or a list of the employer's customers or taking away such list by an employee for his use was improper and would constitute acting in bad faith. In this context, it was wholly pertinent to observe that cl. 7.01(ii) and cl. 7.02(i) and (ii) of the employment agreement expressly proscribed the 'use of any confidential information' as well as the disclosure ('divulge') of information. (para 15)

(5) The plaintiff's right in law to protection of its confidential information as premised on cl. 7.02 of the employment agreement does not have any time limit. Whilst there was no general restriction on the defendant from soliciting and/or competing with the plaintiff after 12 months, this did not apply to situations where such soliciting and/or competition was effected through the use of the plaintiff's confidential information. In the latter situation, cl. 7.02 provided the plaintiff with the contractual right to restrain such breaches, whilst the law itself would enforce such contractual rights by the granting of an injunction. (para 16)

(6) The defendant's contention in regard to her livelihood and customer access's right being affected was misconceived considering that the defendant was admittedly only an employee in the competing business (earning a salary and commission). Further, the injunction was merely to stop her from calling, approaching or contacting the plaintiff's customers that appear in the customer list, as opposed to stopping her from working with the competing business. (para 18)

(7) The order sought merely restrained the defendant from misusing the plaintiff's confidential information by calling or contacting the plaintiff's customers. This breach would in all probability be known when the said customers, presently for instance, Julie Teh and Chai Yuen Ming who had indeed complained to the plaintiff. The order would not restrain customers from contacting the defendant (if they so choose). (para 20)

(8) The plaintiff had adduced sufficient *prima facie* evidence to show that it was not merely the 'know how' and skill acquired in the course of her employment, but it was the secret and confidential information imparted by her employer that she had attempted to use in breach of the said cls. 7.01 and 7.02 of the employment agreement. Thus, the plaintiff had made out a case that there was a serious question to be tried herein. (para 23)

(9) Damages would not be an adequate compensation for the plaintiff in view of the very nature of the breach of contractual prohibition and confidence, which would make it difficult for the plaintiff to quantify monetarily its loss of patronage or customers and/or the long term loss and damage to the Bella Beauty Business strategies and competitiveness. On the contrary, any damage occasioned to the defendant as a result of the grant of the injunction could be quantified as she was only an employee of the competing business for which she drew a salary and a commission on sales. The balance of convenience clearly lay in favour of the injunction being granted. (para 24)

(10) The injunction presently being sought by the plaintiff was to protect its confidential information pertaining to its customer lists, names and details, from continuing to be exploited by the defendant. That this information belonged, in law, to the plaintiff was beyond doubt, as was the fact that the defendant had no right to avail herself of the same without the plaintiff's consent. A careful study of the material deposed to in all the affidavits showed that the plaintiff had fulfilled the *American Cyanamid* test for the grant of such an injunction. (para 25)

[Order accordingly.]

Case(s) referred to:
American Cyanamid v. Ethicon [1975] 1 All ER 504 ***(refd)***
Amway Corporation v. Eurway International Ltd [1974] RPC 82 ***(refd)***
Drake Personnel Ltd v. Beddison [1978] VIC Lexis 101 [1979] VR 13 ***(refd)***
Electro Cad Australia Pty Ltd & Ors v. Mejati RCS Sdn Bhd & Ors [1998] 3 CLJ Supp 196 HC ***(refd)***
Faccenda Chicken Ltd v. Fowler and Others CA [1986] 1 All ER 617 ***(refd)***
Saltman Engineering Co Ltd v. Campbell Engineering Co Ltd [1963] 3 All ER 413 ***(refd)***
Schmidt Scientific Sdn Bhd v. Ong Han Suan & Ors [1998] 1 CLJ 685 HC ***(refd)***
Stepheson Jordan & Harrison Ltd v. MacDonald & Evans [1952] RPC 10 ***(refd)***
Thomas Marshall (Exports) Ltd v. Guinle [1978] 3 All ER 193 ***(refd)***

Legislation referred to:
Contracts Act 1950, s. 28

For the plaintiff - Trevor George De Silva (Mohd Rohaizerin Hj Rosli with him); M/s Lee Ong & Kandiah
For the defendant - Celine Chelladurai (Zainurazira Zainal Abidin with her); M/s Zaid Ibrahim & Co

Reported by Suhainah Wahiduddin

JUDGMENT

Vincent Ng J:

[1] The order being sought by the plaintiff in encl. 10 is encompassed in prayer 2 (prayers 1 and 3 are not sought for the interim) which states as follows:

An injunction to restrain the Defendant, her servants or agents or otherwise howsoever from contacting and or corresponding with all or any of the present customers of the Plaintiff (whose names are as set out in the Annexure 'A' hereto) until judgment in this action or further order of this Honourable Court.

Common Ground

[2] Both parties are on common ground on the facts now set out below.

(a) The defendant had been employed by the plaintiff since 24 February 1999, rose through the ranks to the position of sales consultant in 2001 and resigned from her last held position of centre manager of the Petaling Jaya branch in June 2005.

(b) Throughout her employment with the plaintiff, the defendant executed a total of three employment agreements (paras. 6 to 8 and exhs. VW1, VW2 and VW3, encl. 9) which contained express and specific prohibitions and strictures regarding confidentiality, non-solicitation and non-competition (para. 16, encl. 9). In this regard, the clauses in the said agreements are material and warrant reproduction herein below:

Clause 7.01: Confidentiality

The employee acknowledges that during the course of the employment he may receive special training from the company and may have access to:

(i) information, knowledge training, systems or methods, trade secrets, processes, programs, treatment, procedures, formulae, data, know-how, improvements, inventions, techniques, marketing plans and strategies from time to time developed by the company or any other member of the group or otherwise relating to the business of the company or other member of the group, all of which are confidential to the company and are acknowledged by the Employee to be confidential in nature to the company or other member of the group (as the case may be);

(ii) **lists or details of customers of the company or other member of the group;**

(iii) lists or details of manufacturers or suppliers to the company or other member of the group; and

(iv) other information in respect of which the company or other member of the group is bound by an obligation of confidence to a third party;

(all such information hereinafter referred to as **"confidential information"**).

Clause 7.02:

The employee agrees that he shall not **whether during or after the termination of this agreement** without limit in point of time (except as authorized or required by his duties hereunder or to the extent required by law or by an order from a court of competent jurisdiction):

(i) **divulge or communicate to any person any of the confidential information;**

(ii) **use any such confidential Information for any purpose other than that of the company** or other member of the group and in the performance of his duties hereunder; and

(iii) through any failure to exercise due care and diligence cause any unauthorized disclosure of any such confidential information;

but so that these restrictions shall cease to apply to any such confidential information which may have come into the public domain otherwise than through any unauthorized disclosure by the employee.

(c) Whilst in employment with the plaintiff, the defendant was sent for training and management courses and she was groomed for a managerial position by being provided with periodical on-the job training on treatments, products, sales and management (para. 10, encl. 9).

(d) The defendant owed the plaintiff duties of due care, diligence, fidelity and good faith which includes but is not limited to the duty not to act against the business interest of the defendant (para. 30, encl. 9).

[3] The expression 'Bella Beauty Business' in this case refers to the plaintiff's business of providing skin and beauty care, products and services which commenced business more than 15 years ago through its seven branches in Malaysia. Bella Beauty Business involves the provision of facial and body care for both females

(which was carried out by Bella Skin Care) and males (being carried out by Men Skin Centres). The nature of the contractual prohibition pertaining to non-competition is contained in cl. 9.01 which defines 'business' as "the business of facial, body care and hair removal technology (light therapy) carried out by the (plaintiff) company prior to the termination of this agreement …". These facts are not in dispute by the defendant. The term 'competing business' used by the parties refers to the similar business known as Marique Wellness/His Skin formulation which commenced business in October 2005. (see para. 9 of the statement of claim (encl. 1) and para. 8 of the defence (encl. 7)). What is in serious dispute by the defendant (see para. 10 of defendant's affidavit in reply) is the plaintiff's assertion that the competing business was set up very similar to that of the plaintiffs and "mimicking the plaintiff's business set up of Bella Skin Care which is run side by side with Men's Skin Centres".

The Plaintiff's Case

[4] One of the plaintiff's present employees, Ms Penny Chen, confirmed that in or about the end of June/early July 2005, she saw the defendant, together with her male friend, taking possession of several boxes containing the plaintiff's customer treatment cards (see para. 27 to 29 of encl. 9 and para. 3 of encl. 12). The defendant admits that the incident occurred but avers that the box contained bottled water (para. 13 of encl. 17). In reply to the plaintiff's averment (which detailed 27 names) that their customers/clients had been and were still being contacted by the defendant (para. 26 of encl. 9) the defendant admits (in para. 12 of encl. 17) that she "did in fact contact several of the plaintiff's clients, but not all of the clients named "… but I only contacted them to advise them that I was no longer working for the plaintiff". One of the plaintiff's present customers, Ms. Chai Yuen Min, has unequivocally deposed (para 4 of encl. 13) that she was contacted by the defendant "on no less than two occasions informing me that Marique Wellness ... has been opened and asking me to go over there. I further state that I do not know how she got my contact details as at no time have I disclosed the same to her."

[5] It is also the plaintiff's claim that the defendant had enticed its previous staff, one Susan Ng and Polly Chin, to join her at the competing business (paras. 25 and 30(c) of encl. 9) as well as wrongfully procured the plaintiff's customers, one Agnes Lee and

Kristine Yap, to discontinue their treatment contracts with the plaintiff (para. 31 of encl. 9). And, that the evidence abovementioned are sufficient to show, *inter alia*, that the defendant did contact the plaintiff's customers/clients after her cessation of employment, to ask them to go over to the competing business and more importantly, that it would appear, *prima facie*, that the defendant may have taken and utilized the plaintiff's confidential information against its interest.

The Defendant's Contention

(a) There are no *bona fide* serious issues to be tried to warrant the grant of an injunction as: the plaintiff's alleged confidential information, which comprises of the customer list, customer preferences and business know-how, cannot be considered to be confidential information; the defendant did not take copies of the plaintiff's customer treatment cards, or divulged or exploited the same; the contractual prohibition was void for illegality and the plaintiff has failed to prove the alleged common plan or design to compete with the plaintiff.

(b) Damages are an adequate remedy as the value of the alleged loss of business, if any, can easily be calculated.

(c) The balance of convenience is in favour of the defendant as her livelihood will be seriously affected, and in any event, the granting of an injunction at this stage would be tantamount to an extension of the 12 months period stipulated in the employment agreement.

[6] On the crucial point that there are no *bona fide* serious question to be tried the defendant submitted in the following language. The customer list & preferences found in the customer's treatment card and the information contained in them are not confidential in nature as it does not satisfy the legal test and on the following basis. The information can be obtained directly from customers who present themselves to any beauty salon. The measures taken by the plaintiff to guard the secrecy of the relevant cards were minimal and were not guarded strictly by the plaintiff. In fact, the cards were kept in the drawers accessible to many other employees of the plaintiff who were holding the keys. The value of the said cards to the plaintiff and its competitors is not significant as they contain merely a history of a client's condition at that material time, but not current information. Such

information will be irrelevant and worthless as information which can be commercially exploited since they are personal information applicable only to the particular customer. The plaintiff has not expended effort or money to develop the information, as the information contained in the customer treatment card are only simple and basic information which are not technical or scientific in nature. Such information can be easily acquired or duplicated by others by directly asking the customer a few simple questions. See the case of *Electro Cad Australia Pty Ltd & Ors v. Mejati RCS Sdn Bhd & Ors* [1998] 3 CLJ Supp 196 *('Electro Cad')*. Another point taken is that a business know-how is not protected by the law of confidential information, as it is knowledge that the defendant acquired in the course of her employment and her business experience and in the course of earning her livelihood. Such information has also been made public by the plaintiff through its advertisements and other marketing material made available to the public, thus making the information public property and within the public domain. Court decisions in *Stepheson Jordan & Harrison Ltd v. MacDonald & Evans* [1952] RPC 10 (*'Stepheson Jordan'*), *Amway Corporation v. Eurway International Ltd* [1974] RPC 82 (*'Amway Corp'*) and *Saltman Engineering Co Ltd v. Campbell Engineering Co Ltd* [1963] 3 All ER 413, 65 RPC 203 (*'Saltman Engineering'*) were cited in support of her contention. The plaintiff cannot render a piece of information as "trade secret" by merely naming it as such. The alleged "trade secrets" were not imparted to the defendant confidentially, and are just common business methods or know-how where the law cannot be extended to provide protection. The case of *Drake Personnel Ltd v. Beddison* [1978] VIC Lexis 101 [1979] VR 13 (Australia) (*'Drake Personnel'*) was cited in support of their contention.

[7] There has been no unauthorized use of the plaintiff's confidential information to the detriment of the plaintiff as the defendant did not take out, duplicate or have in her possession the plaintiff's customer treatment cards or has been utilizing the plaintiff's customer treatment cards. There are strongly contentious averments on this aspect of the issue which are totally denied by the defendant. Further, without the benefit of cross-examination of witness this court cannot decide the issue on affidavit evidence. In any event, any contact of the plaintiff's customers was based on a relationship that developed over time between the plaintiff's customers and the defendant, and the contact was largely initiated by the plaintiff's customers. The defendant was not involved in

the formulation of the plaintiff's business discussions, plans, marketing strategies or business concept, and the marketing strategies and products employed by Marique is not similar to the plaintiff's. Any formulation of the same was done by the higher management of the plaintiff which the defendant was not a member of. The defendant therefore denies that it owes any duties of a fiduciary nature to the plaintiff. There is no obligation of confidence on the part of the defendant to the plaintiff after her employment. The law permits the defendant to use her full skill and knowledge for her own benefit in competition with her former employer. Clause 7.02 which stipulated to protect the alleged confidential information should be limited to a reasonable period of time from the termination of her employment. To restrict the defendant in perpetuity (as stated in cl. 7.02) is unreasonable and thus the clause fails as a valid restriction.

A B C D

The Law On Interim Injunction

[8] The principles whether or not to grant an interim injunction has been established in a patent infringement case of *American Cyanamid v. Ethicon* [1975] 1 All ER 504 (*American Cyanamid*) as follows:

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i. Serious question to be tried.

ii. Whether damages could constitute an adequate remedy if the injunction is not granted

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iii. Balance of convenience lies in favour of granting the injunction.

iv. If balance appears even, to consider preservation of *status quo*.

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v. And if this seems even, consider the relative strengths of each party's case.

vi. Most importantly, at this early stage of the proceedings, the court must be mindful that the relative strengths of each party's case should be considered only on a *prima facie* basis without dealing with the existing evidence in detail and giving reasoned assessments of the court's views that is, to try to resolve conflict of evidence on affidavits as to facts.

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[9] The current position in both the U.K. and Malaysia on the law pertaining to interim injunction is the same ie, the principles enunciated in *American Cyanami*d case are still good law in Malaysia and have been consistently affirmed.

Court's Findings

[10] In my judgment, the confidentiality of the said confidential information (which includes customer lists and details) could not be seriously disputed as this has been expressly mentioned in cl. 7.01(ii) of the employment agreement *(supra)*. And, it must be recognised that particulars such as customer's names, lists and details have also been judicially recognized as being confidential in nature, and wrongful utilization of such particulars warrants injunctive protection. Some cases on point are *Faccenda Chicken Ltd v. Fowler and Others CA* [1986] 1 All ER 617 (*'Faccenda Chicken'*), *Thomas Marshall (Exports) Ltd v. Guinle* [1978] 3 All ER 193 (*'Thomas Marshall'*). In *Schmidt Scientific Sdn Bhd v. Ong Han Suan & Ors* [1998] 1 CLJ 685 even the "list of names and address of customers and suppliers" were classified as trade secrets.

[11] Obviously, the plaintiff's customer's names, lists and details could not become part of the defendant's "own skill, knowledge and business experience" as the defendant had submitted. It is pertinent to note that the plaintiff has, *prima facie*, shown in Penny's affidavit that the defendant had taken possession of the plaintiff's customer treatment cards during the period of her termination notice. Although this is a finding which this court may arrive at only after a full trial, it nonetheless raises the serious issue of whether the defendant had, by such conduct, breached her duty of good faith owed to the plaintiff. Neill LJ in the *Faccenda Chicken (supra)* made the following *dicta* which is apposite to the instant case:

> **the duty of good faith will be broken if an employee makes or copies a list of the customers of the employer for use after his employment ends** or deliberately memorizes such a list, even though, except in special circumstances, there is no general restriction on an ex-employee canvassing or doing business with customers of his former employer

[12] The above *dicta* in Faccenda Chicken clearly lays down the law, which is equally applicable in Malaysia, that there is generally no restriction to an ex-employee competing with his/her ex-employer by canvassing or doing business with the latter's

former customers. This is certainly in line with general principles which allows competition and is consonant with s. 28 of the Contracts Act 1950. Save for an agreement not to carry on business of which the goodwill is also sold, or between partners prior to dissolution or during continuance of partnership, s. 28 provides that: "Every agreement by which anyone is restrained from exercising a lawful profession, trade, or business of any kind, is to that extent void." Notwithstanding this provision, what is in my view not permissible, is for such competition to be pursued by wrongfully utilizing the confidential information, eg, list of customers belonging to the ex-employer; and the courts have been vigilant to protect the employer's interest in this regard. In *Thomas Marshall (supra)* the rationale for the court granting an interlocutory injunction to restrain 'disclosure' but not 'usage' of such information was explained thus:

> The **court would also grant an injunction restraining the disclosure of the company's confidential information and trade secrets** but since the term 'disclosure' used in the agreement did not extend to 'use' the court would not grant an injunction restraining the use of such information.

[13] It is of vital importance to note that in *Thomas Marshall* the impugned agreement did not incorporate clauses such as cl. 7.01(ii) and 7.02(ii) in the case at hand.

[14] The law of confidentiality in the context of relationship between employer and employee, and of restrictive covenants has been set out in *Faccenda Chicken (supra)* as follows:

> (1) Where the parties are, or have been, linked by a contract of employment, the obligations of the employee are to be determined by the contract between him and his employer: cf *Vokes Ltd v. Heather* [1945] 62 RPC 135 at 141.
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> (2) In the absence of any express term, the obligations of the employee in respect of the use and disclosure of information are the subject of implied terms.
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> (3) While the employee remains in the employment of the employer the obligations are included in the implied term which imposes a duty of good faith or fidelity on the employee. For the purpose of the present appeal it is not necessary to consider the precise limits of this implied term, but it may be noted: (a) that the extent of the duty of good faith will vary according to the nature of the contract (see

Vokes Ltd v. Heather); (b) that the duty of good faith will be broken if an employee makes or copies a list of the customers of the employer for use after his employment ends or deliberately memorises such a list, even though, except in special circumstances, there is no general restriction on an ex-employee canvassing or doing business with customers of his former employer (see *Robb v. Green* [1895] 2 QB 315, [1895-9] All ER Rep 1053 and *Wessex Dairies Ltd v. Smith* [1935] 2 KB 80, [1935] All ER Rep 75).

(4) The implied term which imposes an obligation on the employee as to his conduct after the determination of the employment is more restricted in its scope than that which imposes general duty of good faith. It is clear that the obligation not to use or disclose information may cover secret processes of manufacture such as chemical formulae (see *Amber Size and Chemical Co Ltd v. Menzel* [1913] 2 Ch 239, or designs or special methods of construction (see *Reid Sigrist Ltd v. Moss Mechanism* [1932] 49 RPC 461), and other information which is of a sufficiently high degree of confidentiality as to amount to a trade secret.

(5) In order to determine whether any particular item of information falls within the implied term so as to prevent its use or disclosure by an employee after his employment has ceased, it is necessary to consider all the circumstances of the case. We are satisfied that the following matters are among those to which attention must be paid. (a) The nature of the employment. Thus employment in a capacity where 'confidential' material is habitually handled may impose a high obligation of confidentiality because the employee can be expected to realise its sensitive nature to a greater extent than if he were employed in a capacity where such material reaches him only occasionally or incidentally. (b) The nature of the information itself. In our judgment the information will only be protected if it can properly be classed as a trade secret or as material which, while not properly described as a trade secret, is in all the circumstances of such a highly confidential nature as to require the same protection as a trade secret *eo nomine*. The restrictive covenant cases demonstrate that a covenant will not be upheld on the basis of the status of the information which might be disclosed by the former employee if he is not restrained unless it can be regarded as a trade secret or the equivalent of a trade secret: see for example *Herbert Morris Ltd v. Saxelby* [1916] 1 AC 688 at 710, [1916-17] All ER Rep 305 at 317 per Lord Parker and *Littlewoods Organisation Ltd v. Harris* [1978] 1 All ER 1026 1t 1037, [1977] 1 WLR 1472 at 1484 per Megaw LJ.

[15] Let me unravel the subtle and delicate underlying basis of several court decisions which formulated the principles governing restraint of trade. It could be thus stated. The law does not debar an ex-employee from making any use of or drawing on a fund of knowledge and experience or skills that he had acquired while working for the employer. That would be tantamount to depriving him of his livelihood. The law only imposes on the employee a general duty to act in good faith, such as a man of average intelligence and honesty would think proper. Depending on the facts and circumstances of the case, the law also imposes an obligation on the employee not to use or disclose trade secrets or to do what he has covenanted not to do – as in the instant case. Clearly, acts such as memorizing a formula or a list of the employer's customers or taking away such list by an employee for his use is improper and would constitute acting in bad faith. In this context it is wholly pertinent to observe that cl. 7.01(ii) and cl. 7.02(i) and (ii) (above) of the employment agreement expressly proscribes the "use of any confidential information" as well as the disclosure ('divulge') of information.

[16] By no account could the granting of the injunction now being sought be tantamount to 'extending the 12 months period' considering that the time limits mentioned in cls. 8.02 and 9.02 pertain only to non-solicitation and non-competition. These clauses must be read in consonance and in conjunction with cl. 7.02 (above) which expressly states that the "employee agrees that he shall not whether during or after the termination of this agreement without limit in point of time", divulge or use such information. In this regard, it is also noted that:

(a) under cls. 8.02 and 9.02, the defendant is precluded from soliciting and/or competing with the plaintiff within 12 months from her termination of employment. Though the defendant says that such clauses may themselves be in restraint of trade and thus not enforceable, this is not the basis of the plaintiff's present injunction application;

(b) the plaintiff's right in law to protection of its confidential information is premised on cl. 7.02 above, which does not have any time limit. As such, reading the employment agreement as a whole, it becomes patently clear that whilst there is no general restriction on the defendant from soliciting and or competing with the plaintiff after 12 months, this does

not apply to situations where such soliciting and or competition is effected through the use of the plaintiff's confidential information. In the latter situation, cl. 7.02 provides the plaintiff with the contractual right to restrain such breaches, whilst the law itself will enforce such contractual rights by the granting of an injunction. This much is clear from the ratio in *Thomas Marshall (supra)* as discussed above, and wherein Megarry V-C had also expressed in the following views in succinct language (at p. 199):

> The case is not one, of course, in which the company seeks to restrain the defendant from engaging in any competing work, **but one in which the company merely seeks restraints in terms of what I have called the soliciting order and the breach of confidence order**.

[17] If a contrary view is taken by this court in the current case, it would mean that the defendant, notwithstanding her blatant breach of contract and trust in wrongfully obtaining the confidential information, need only wait for the 12 months period to expire before she could exploit such information with impunity. That cannot have been the intention of parties even from a plain reading of cls. 7.02, 8.02 and 9.02 of the employment agreement.

[18] On the point of balance of convenience, it is my view that the defendant's contention in regard to her livelihood and customer access right being affected is misconceived considering that the defendant is admittedly only an employee in the competing business (earning a salary and commission). Further, the injunction is merely to stop her from calling, approaching or contacting the plaintiff's customers that appear in the customer list, as opposed to stopping her from working with the competing business. The fact that the competing business has, to date, not sought to intervene in the present proceedings is ample indication that its business has not been, and will not be, affected by any order that this court may make.

[19] In regard to her contention that an injunction would affect her livelihood, this is but a bare and unsupported averment made by the defendant, as nowhere has she stated how she would be affected. I am unable to fathom how her employment could be terminated due to her being restrained from wrongfully contacting the plaintiff's customers. If the argument is that she would lose her sales commission, this can clearly be quantified and

compensated by an order of damages should she succeed at the trial. Such arguments pale in comparison to the injury and loss that would be caused to the plaintiff should such an injunction not be granted. This is quite apart from the distinct probability that the defendant would not be in a position to financially satisfy the grave injury, loss or damage to the plaintiff, which may not be quantifiable.

[20] The defendant's contention that such an order will be impossible to 'police' is, in my opinion, also misconceived. The Order sought merely restrains the defendant from misusing the plaintiff's confidential Information by calling or contacting the plaintiff's customers. This breach will in all probability be known when the said customers, presently for instance, Julie Teh and Chai Yuen Ming who had indeed complained to the plaintiff. The Order does not restrain customers from contacting the defendant (if they so choose), and if they do so, it is unlikely that they will complain to the plaintiff. The phrase "plaintiff's customers" is not too wide as it has already been defined by virtue of the list of customers, from which, at the defendant's own request, the plaintiff had removed two names, being Agnes Lee and Julie Teh.

[21] I also do not find any inordinate delay in making the application as contended by the defendant. The uncontroverted evidence (see paras. 23 & 26 of encl. 9) before this court is that although the competing business commenced in late September 2005, it was only in January 2006 that the plaintiff discovered that the defendant was contacting the plaintiff's customers, following its internal investigations through Penny Chen, who reported that the defendant had taken the customer treatment cards.

[22] The essence of the three decisions in *Stepheson Jordan*, *Amway Corp* and *Saltman Engineering (supra)* cited by counsel for the defendant can be summarized in this way. Employees may, in the course of earning their livelihood learn certain skills and experiences which is not inaptly described as 'know-how' – though in certain political systems the term 'know-who' has also gained considerable currency (pun intended). The term 'know-how' indicates something quite essentially different from secret and confidential information. Rather, it indicates the way in which a skilled man does his job, and is an expression of his individual skill and experiences. The court cannot protect this 'know-how' type of information or skills which an employee has acquired during the

course of his employment. It is merely 'know-how' which employers cannot keep exclusively to themselves. Further, the information, to be confidential, must, apart from what is expressed in the contract, have the necessary quality of confidence about it, namely, it must not be something which is public property and public knowledge, and an employer cannot protect himself against competition *per se*. The ratio in *Electro Cad (supra)* is of no assistance to the defendant, as in that case the plaintiffs secured an injunction due, *inter alia*, to cl. 4 of the agreement (which is similar to cls. 7.01(ii) and 7.02(i) and (ii) in our current case) whereby the first defendant was found to be in breach of its obligation to keep certain information obtained from the plaintiffs strictly confidential.

[23] In the circumstances the issues to be tried, would include: (a) whether the defendant had wrongfully taken copies of the plaintiff's customer treatment cards; (b) whether she had divulged these to the competing business or exploited these against the plaintiff's interest; (c) whether she had acted in blatant contravention of her contractual prohibitions pertaining to confidentiality, non-solicitation and non-competition; and, (d) whether there was a common plan or design to wrongfully compete with the plaintiff by utilizing the latter's confidential information to its detriment. On this aspect of the law, it is useful to bear in mind that in *Drake Personnel (supra)* it was held (Held 4) that a person is entitled to protection against having his client solicited or enticed away, though he cannot protect himself against competition *per se*. I am entirely satisfied that the plaintiff has adduced sufficient *prima facie* evidence to show that it was not merely the 'know-how' and skill acquired in the course of her employment, but it was the secret and confidential information imparted by her employer that she had attempted to use in breach of the said cls. 7.01 and 7.02 of the employment agreement. Thus, I have to conclude that the plaintiff has made out a case that there is a serious question to be tried in this case.

[24] I hold that damages will not be an adequate compensation for the plaintiff in view of the very nature of the breach of contractual prohibition and confidence, which make it difficult for the plaintiff to quantify monetarily its loss of patronage of customers and/or the long term loss and damage to the Bella Beauty Business business, strategies and competitiveness. On the contrary, any damage occasioned to the defendant as a result of

the grant of the injunctions can be quantified as she is only an employee of the competing business for which she draws a salary and a commission on sales (see para. 18 of encl. 17). I find that the balance of convenience clearly lies in favor of the injunctions being granted, and that the defendant would certainly be able to recover any damages (if and when awarded) from the plaintiff, a well established business entity, whereas even if damages were to be a sufficient remedy for the plaintiff the converse is doubtful.

[25] To summarise, the injunction presently being sought by the plaintiff is to protect its confidential information pertaining to its customer lists, names and details, from continuing to be exploited by the defendant. That this information belongs, in law, to the plaintiff is beyond doubt, as is the fact that the defendant has no right to avail herself of the same without the plaintiff's consent. I am satisfied from a careful study of the material deposed to in all the affidavits, that the plaintiff had fulfilled the *American Cyanamid* test for the grant of such an injunction.

[26] This court is *ad idem* with and would, for the present purpose, adopt the words of Megarry VC in *Thomas Marshall* who had this to say:

> **It seems to me that the company has at least a good arguable case on this point.** Applying the *Cyanamid* principles as best as I can, I think that **the balance of convenience** and not least the *status quo* existing before the defendant began the conduct of which the company complained so promptly on discovering it, point to granting a suitable injunction to enforce this duty. Certainly if damages have to be paid one way or another, on the evidence as it stands, the prospects of the company being able to pay seems to me to outweigh substantially the prospects of the defendant being able to pay, especially in view of what has been said on his behalf. Furthermore, I think that the quantum of damages would be much harder to assess for the company than the defendant.

[27] In the event, the orders prayed for in prayer (2), as subsequently amended in its application (encl. 10) ought to be and is allowed with costs in the cause upon the usual undertaking in damages by the plaintiff.